

CalPERS Update September 2025

City of Chico



Two factors of pension costs: Normal Cost

- **Normal Cost % of Salaries**
- **Designed to cover current employees' cost of future retirement**
- **Pensionable wages multiplied by %**



Estimated Employer Contribution Rates*

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
<i>@ 6/30/22 Report</i>							
Miscellaneous	13.1%	12.7%	12.3%	11.9%	11.6%	N/A	N/A
Safety	22.8%	22.3%	21.8%	21.3%	20.8%	N/A	N/A
<i>@ 6/30/23 Report</i>							
Miscellaneous	13.15%	12.7%	12.4%	12.0%	11.7%	11.4%	N/A
Safety	22.68%	22.2%	21.7%	21.2%	20.6%	20.1%	N/A
<i>@ 6/30/24 Report</i>							
Miscellaneous	N/A	12.52%	12.2%	11.8%	11.5%	11.2%	10.9%
Safety	N/A	21.91%	21.4%	20.9%	20.4%	19.8%	19.3%

**rates before employee cost sharing, assumes 6.8% investment return*

City of Chico Normal Cost Share FY 2025-26

CalPERS Miscellaneous - Classic					
	Employer Share	Employee Base Share		Employee Cost Sharing	Total Employee Contribution
CME	5.15%	8%	+	8%	= 16.00%
CPSA	7.15%	8%	+	6%	= 14.00%
CNF	10.15%	8%	+	3%	= 11.00%
DIR	10.15%	8%	+	3%	= 11.00%
L39	10.15%	8%	+	3%	= 11.00%
SEIU	10.15%	8%	+	3%	= 11.00%
UPEC	6.47%	8%	+	6.68%	= 14.68%

CalPERS Miscellaneous - PEPRA					
	Employer Share	Employee Base Share		Employee Cost Sharing	Total Employee Contribution
CME	5.15%	8.50%	+	8%	= 16.50%
CPSA	7.15%	8.50%	+	6%	= 14.50%
CNF	10.15%	8.50%	+	3%	= 11.50%
DIR	10.15%	8.50%	+	3%	= 11.50%
L39	10.15%	8.50%	+	3%	= 11.50%
SEIU	10.15%	8.50%	+	3%	= 11.50%
UPEC	6.47%	8.50%	+	6.68%	= 15.18%

CalPERS SAFETY – Classic					
	Employer Share	Employee Base Share		Employee Cost Sharing	Total Employee Contribution
CFSM	17.68%	9%	+	5%	= 14.00%
CPM	19.68%	9%	+	3%	= 12.00%
CPOA	19.68%	9%	+	3%	= 12.00%
IAFF	17.68%	9%	+	5%	= 14.00%
UPEC	16.00%	9%	+	6.68%	= 15.68%

CalPERS SAFETY – PEPRA					
	Employer Share	Employee Base Share		Employee Cost Sharing	Total Employee Contribution
CFSM	17.68%	15%	+	5%	= 20%
CPM	19.68%	15%	+	3%	= 18%
CPOA	19.68%	15%	+	3%	= 18%
IAFF	20.68%	15%	+	2%	= 17%
UPEC	16.00%	15%	+	6.68%	= 21.68%

Two factors of pension costs: Unfunded Accrued Liability (UAL)

- **UAL Annual Payment**

- Calculated annually by CalPERS
- Changes each year based on actuarial factors
 - Investment return
 - Mortality rates
 - Number of Retirees
- Similar to a mortgage balance that is a moving target
- Annual payment can be paid in July of each year or paid monthly
 - Prepayment saves one month of interest



CalPERS Investment Rate of Return History 2009 - 2025



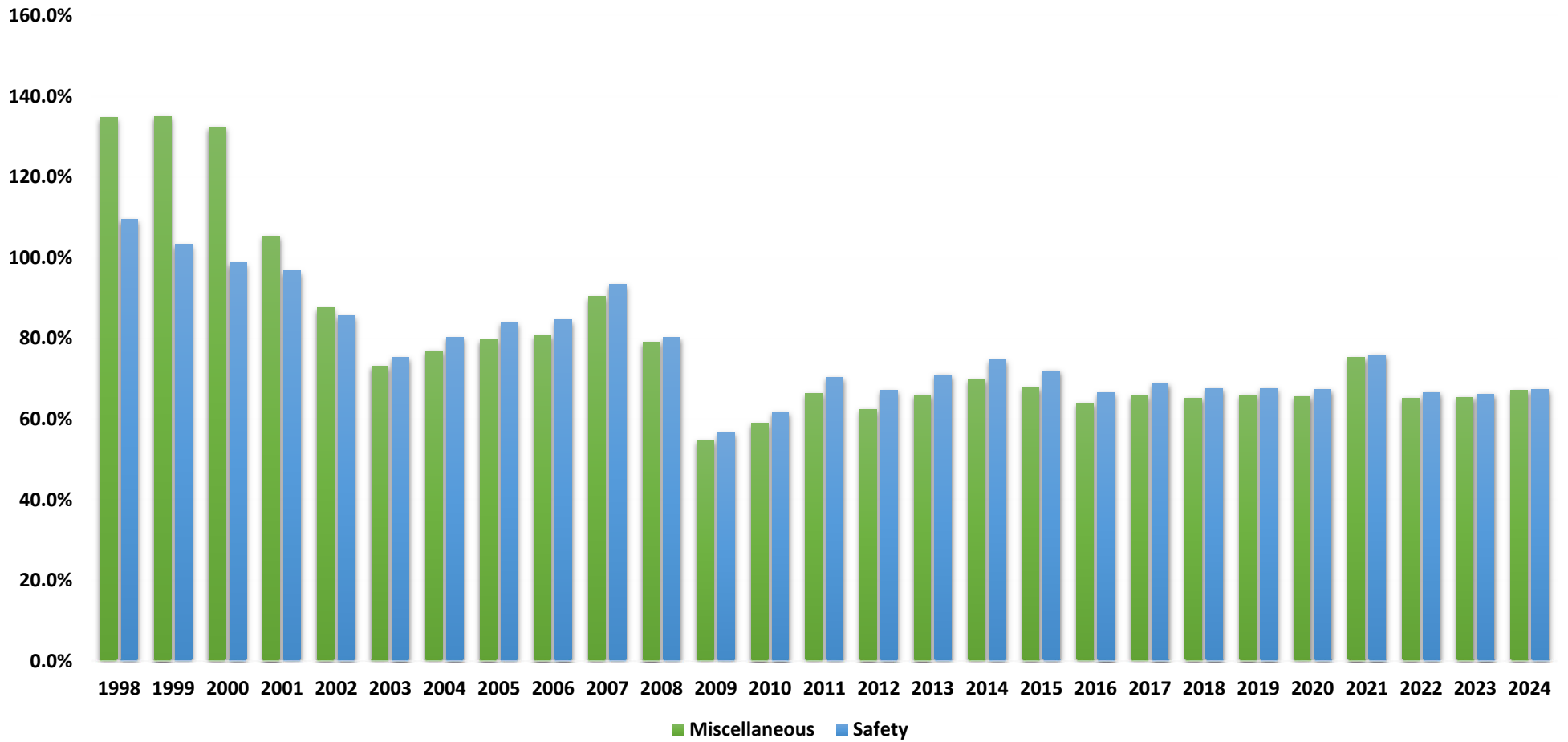
CalPERS Investment Rate of Return History 2009 - 2025



Unfunded Accrued Liability

	<u>As of 6/30/2021</u>		<u>As of 6/30/2022</u>		<u>As of 6/30/2023</u>		<u>As of 6/30/2024</u>	
<u>Plan</u>	<u>UAL</u>	<u>Funded %</u>	<u>UAL</u>	<u>Funded %</u>	<u>UAL</u>	<u>Funded %</u>	<u>UAL</u>	<u>Funded %</u>
Misc	\$52,770,823	75.2%	\$77,011,668	65.2%	\$78,622,406	65.4%	\$ 78,358,586	67.1%
Safety	<u>\$64,293,003</u>	75.9%	<u>\$92,247,723</u>	66.6%	<u>\$98,512,703</u>	66.2%	<u>\$102,231,285</u>	67.3%
Total	<u>\$117,063,826</u>		<u>\$169,259,391</u>		<u>\$177,135,109</u>		<u>\$180,589,871</u>	

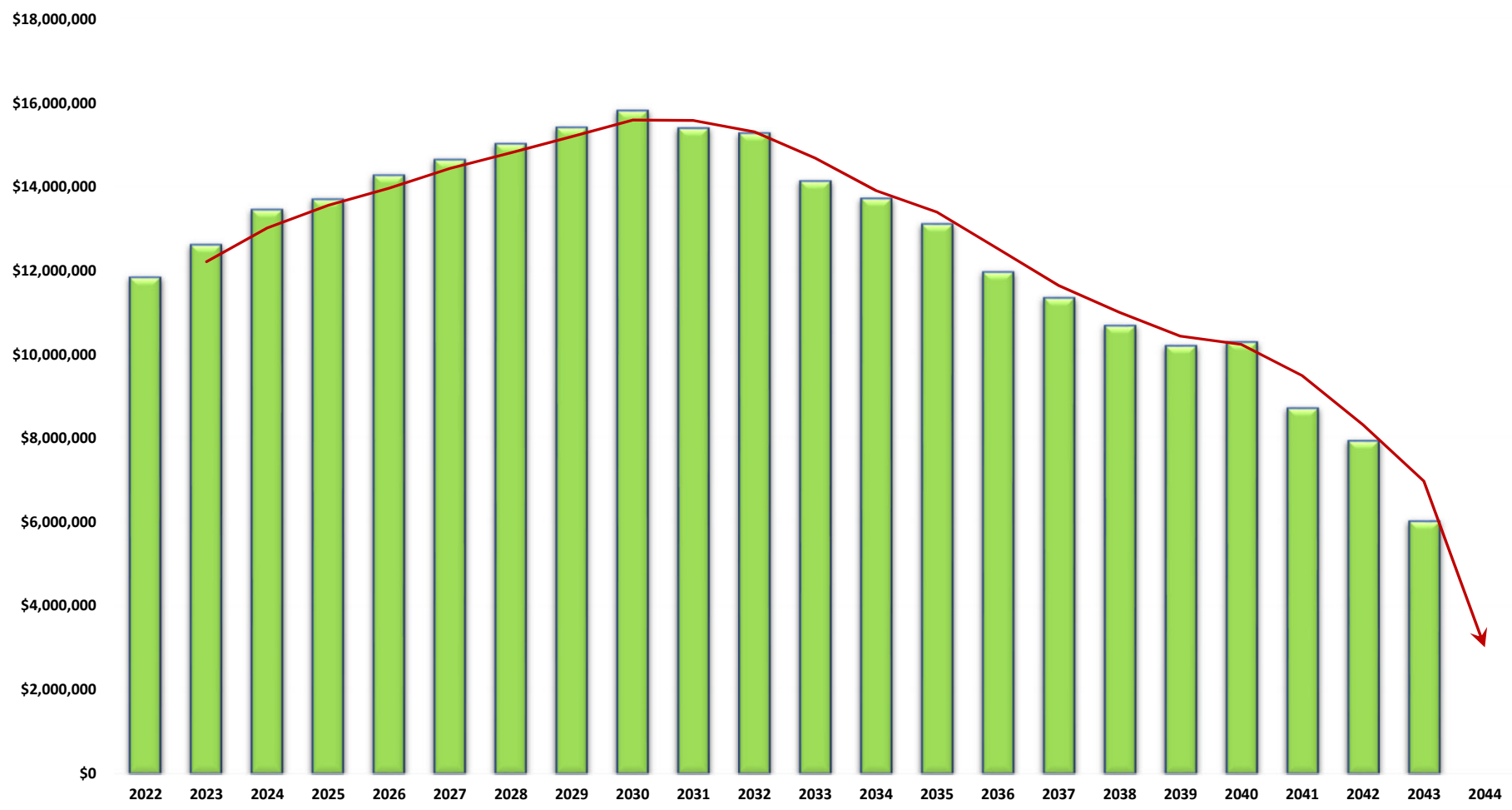
City of Chico CalPERS Funding Status History



How did we get here...

- **Superfunded status in early 2000's**
- **New benefit formulas proposed in 2002**
- **Chico approved 3% @ 60 formula for Miscellaneous in 2002**
- **2% cost of living annual adjustment to retirees by CalPERS**
- **Great Recession occurs in 2008**
- **Two rounds of layoffs at City in 2013 & 2014**
- **Investment returns did not make former 7.5% assumption**
- **CalPERS investment policy limitations (No tobacco, etc.)**
- **Discount rate decreased to 7.0% and then to 6.8%**
- **New mortality rates, average retirement ages, etc.**

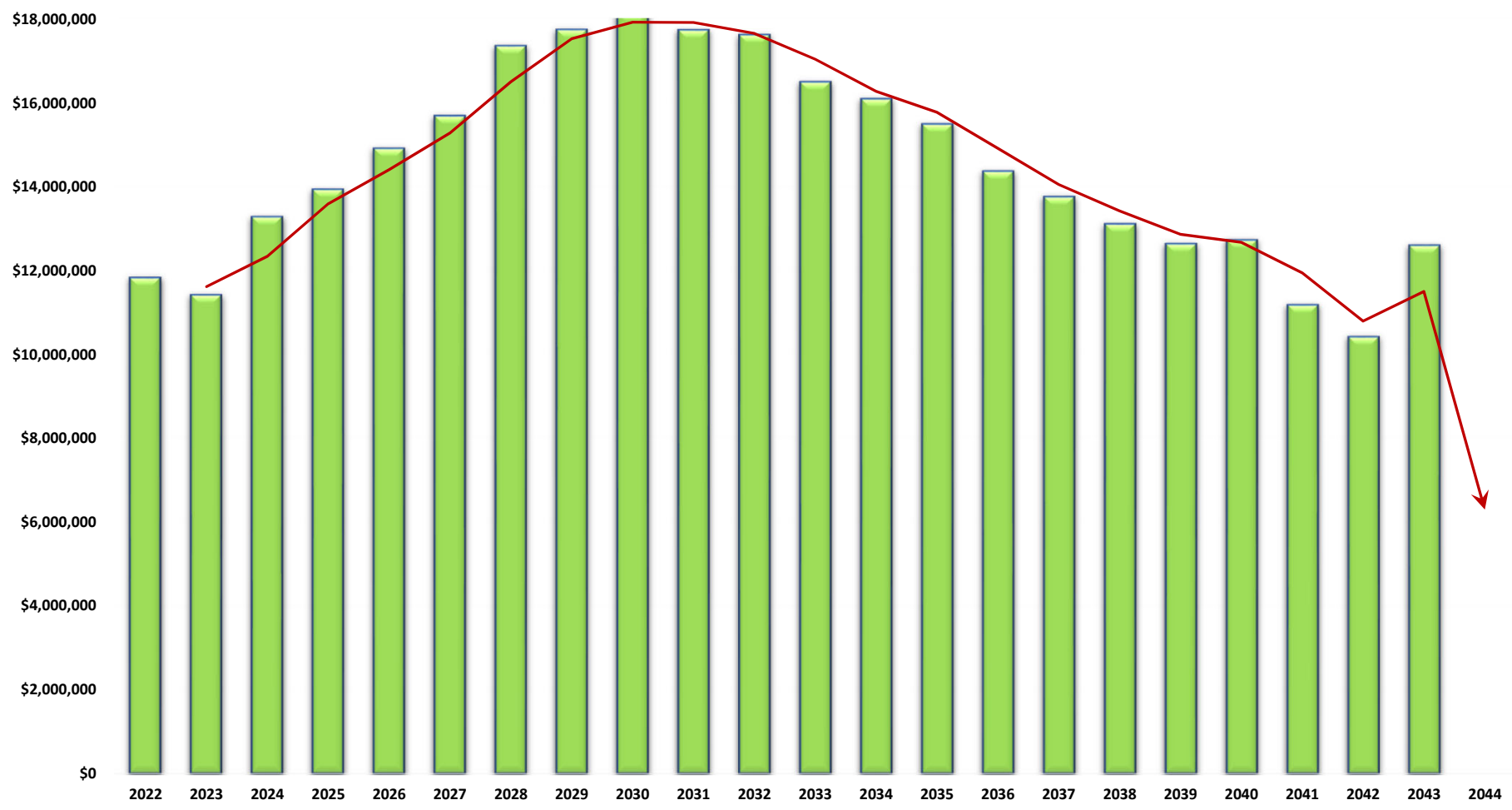
City of Chico Total Projected UAL Payments @ 6/30/2020



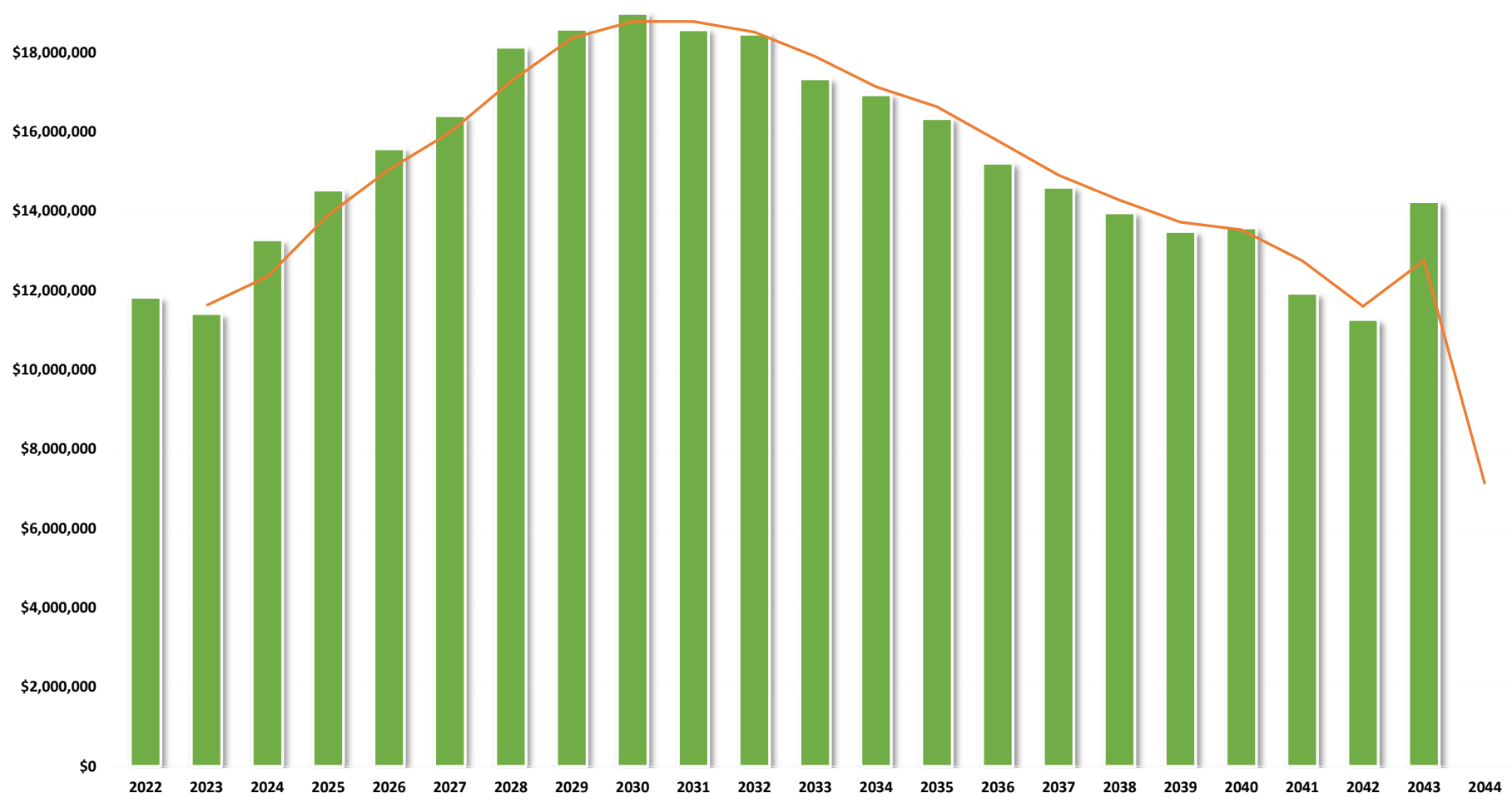
City of Chico Total Projected UAL Payments @ 6/30/2021



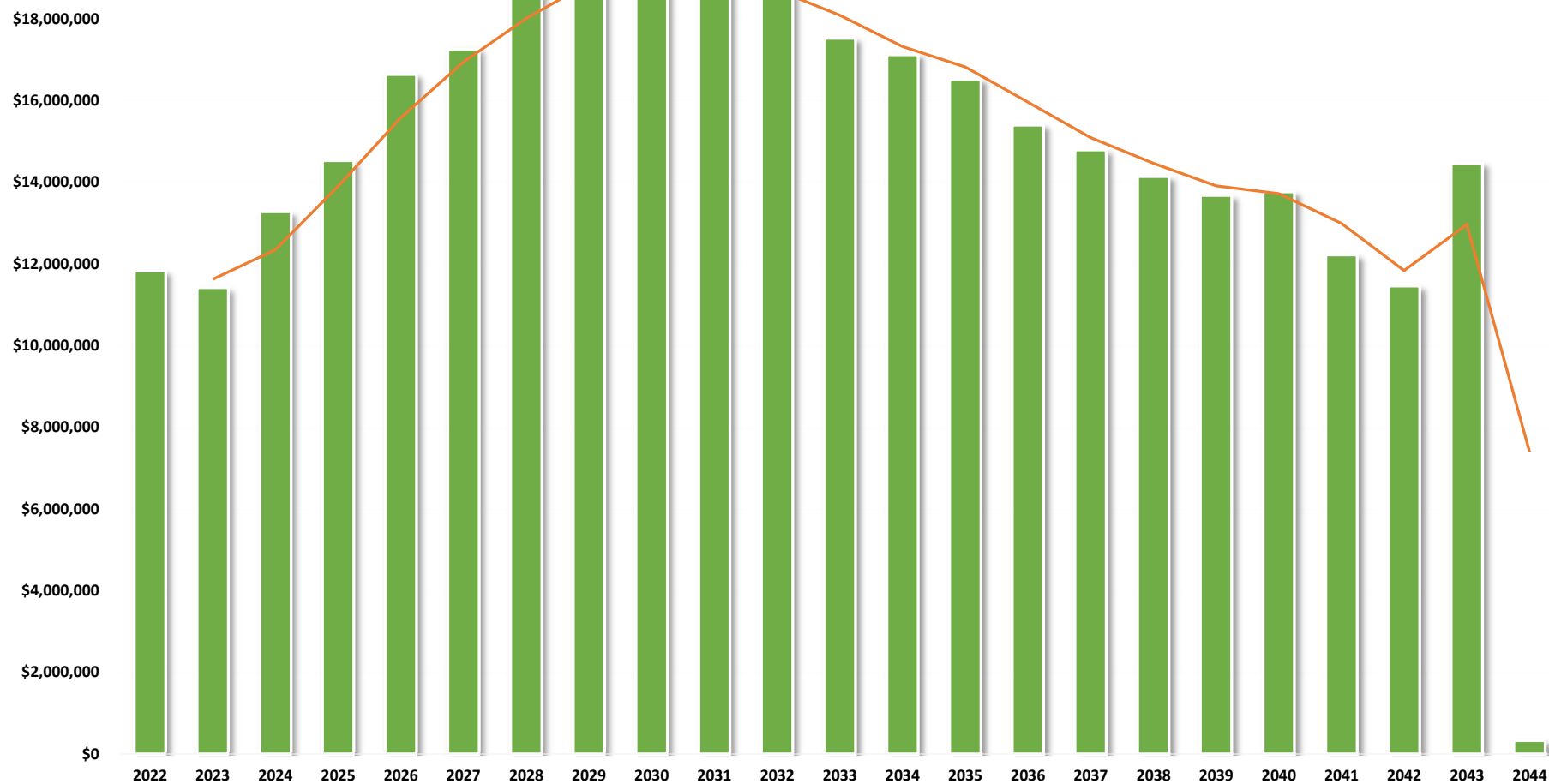
City of Chico Total Projected UAL Payments @ 6/30/2022



City of Chico Total Projected UAL Payments @ 6/30/2023



City of Chico Total Projected UAL Payments @ 6/30/2024



Amortization Bases

Reason for Base	Date Est.	Ramp Level 2026-27	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Minimum Required Payment 2026-27
Fresh Start	6/30/08	No Ramp		2.80%	14	(2,780,010)	(235,421)	(2,725,757)	(242,013)	(2,661,002)	(248,789)
Assumption Change	6/30/09	No Ramp		2.80%	5	1,598,560	263,868	1,434,570	271,256	1,251,794	278,851
Special (Gain)/Loss	6/30/09	No Ramp		2.80%	15	2,455,954	199,120	2,417,180	204,695	2,370,008	210,427
Special (Gain)/Loss	6/30/10	No Ramp		2.80%	16	(402,345)	(31,336)	(397,321)	(32,213)	(391,049)	(33,115)
Assumption Change	6/30/11	No Ramp		2.80%	7	2,490,598	331,552	2,317,319	340,836	2,122,663	350,379
Special (Gain)/Loss	6/30/11	No Ramp		2.80%	17	(1,895,690)	(142,250)	(1,877,590)	(146,233)	(1,854,143)	(150,327)
(Gain)/Loss	6/30/12	No Ramp		2.80%	18	31,318,538	2,270,280	31,101,998	2,333,848	30,805,040	2,399,195
Payment (Gain)/Loss	6/30/12	No Ramp		2.80%	18	(293,233)	(21,256)	(291,206)	(21,852)	(288,425)	(22,463)
(Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	19	20,430,838	1,535,200	20,233,597	1,578,186	19,978,520	1,622,375
(Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	20	(14,136,267)	(1,026,043)	(14,037,178)	(1,054,772)	(13,901,662)	(1,084,306)
Assumption Change	6/30/14	100%	Up/Dn	2.80%	10	8,390,270	1,026,645	7,899,831	1,055,391	7,346,335	1,084,941
(Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	21	6,619,390	465,201	6,588,751	478,227	6,542,567	491,617
(Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	22	12,565,133	856,881	12,534,026	880,873	12,476,010	905,538
Assumption Change	6/30/16	100%	Up/Dn	2.80%	12	3,974,842	419,692	3,811,404	431,444	3,624,708	443,524
(Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	23	(9,160,873)	(607,395)	(9,156,106)	(624,402)	(9,133,439)	(641,885)
Assumption Change	6/30/17	100%	Up/Dn	2.80%	13	4,595,829	455,765	4,437,339	468,526	4,254,884	481,645
(Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	24	(2,582,314)	(166,762)	(2,585,573)	(171,432)	(2,584,227)	(176,232)
Assumption Change	6/30/18	100%	Up/Dn	2.80%	14	8,621,657	807,744	8,373,174	830,361	8,084,421	853,611
Method Change	6/30/18	100%	Up/Dn	2.80%	14	1,755,809	164,498	1,705,205	169,104	1,646,400	173,839
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	15	1,498,967	146,512	1,449,485	146,512	1,396,638	146,512
Investment (Gain)/Loss	6/30/19	100%	Up Only	0.00%	15	971,277	77,412	957,323	96,765	922,420	96,765
Investment (Gain)/Loss	6/30/20	100%	Up Only	0.00%	16	4,806,402	288,992	4,834,581	385,323	4,765,124	481,654
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	16	(1,971,639)	(186,935)	(1,912,524)	(186,934)	(1,849,390)	(186,934)
Assumption Change	6/30/21	No Ramp		0.00%	17	3,208,974	295,940	3,121,348	295,940	3,027,763	295,940
Net Investment (Gain)	6/30/21	80%	Up Only	0.00%	17	(23,329,031)	(958,992)	(23,924,344)	(1,438,488)	(24,064,607)	(1,917,984)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	17	603,995	55,702	587,502	55,702	569,887	55,702
Benefit Change	6/30/22	No Ramp		0.00%	18	148,263	13,332	144,567	13,332	140,620	13,332
Investment (Gain)/Loss	6/30/22	60%	Up Only	0.00%	18	33,447,500	718,944	34,978,944	1,437,888	35,871,540	2,156,831
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	18	(518,605)	(46,635)	(505,676)	(46,635)	(491,867)	(46,635)
Investment (Gain)/Loss	6/30/23	40%	Up Only	0.00%	19	1,502,554	0	1,604,728	34,493	1,678,203	68,986
Non-Investment (Gain)/Loss	6/30/23	No Ramp		0.00%	19	4,753,859	0	5,077,121	456,553	4,950,545	456,553
Investment (Gain)/Loss	6/30/24	20%	Up Only	0.00%	20	(5,087,207)	0	(5,433,137)	0	(5,802,590)	(124,725)
Non-Investment (Gain)/Loss	6/30/24	No Ramp		0.00%	20	8,629,290	0	9,216,082	0	9,842,776	885,097
Total						102,231,285	6,970,255	101,979,663	8,000,281	100,646,465	9,319,919

Since last Valuation Report...

- **11.6% Investment Return for FY 2025-26**
 - **Could potentially trigger Funding Risk Mitigation Policy**
 - **Could reduce Discount Rate from 6.8% to 6.75%**
- **Asset Liability Management (ALM) Process**
 - **In process**
 - **Discount Rate questions**
 - **Life Expectancies**
 - **Retirement age**
 - **Other Statistical changes**

What has been done...

- **California Public Employees Pension Reform Act (PEPRA) became effective for new employees after 1/1/2013**
 - **New benefit tiers vs. Classic member benefit tiers**
 - **2% at 62 vs. 3% at 60 for Miscellaneous Plan**
 - **2.7% at 57 vs. 3% at 50 for Safety Plan**

PEPRA TRANSITION MISC PLAN

	Classic	PEPRA	PEPRA as a Percent of Total
Active Members			
Count	90	176	66.2%
Average Attained Age	52.77	40.00	
Average Entry Age	35.90	36.84	
Average Years of Credited Service	16.22	3.13	
Average Annual Covered Payroll	\$91,418	\$65,474	
Annual Covered Payroll	\$8,227,619	\$11,523,507	58.3%
Present Value of Future Payroll	\$52,556,635	\$128,258,757	70.9%
Transferred Members			
Count	46	106	69.7%
Separated Members			
Count	58	90	60.8%
Retired Members and Beneficiaries Receiving Payments			
Count	387	4	1.0%
Average Annual Benefit	\$34,414	\$1,615	
Total Annual Benefits	\$13,318,339	\$6,459	0.0%
Accrued Liabilities			
Active Members	\$49,540,994	\$8,346,977	14.4%
Transferred Members	11,173,137	1,219,968	9.8%
Separated Members	3,894,927	798,265	17.0%
Retired Members and Beneficiaries	<u>162,844,141</u>	<u>90,869</u>	<u>0.1%</u>
Total	\$227,453,199	\$10,456,079	4.4%

PEPRA TRANSITION SAFETY PLAN

	Classic	PEPRA	PEPRA as a Percent of Total
Active Members			
Count	73	103	58.5%
Average Attained Age	46.76	33.06	
Average Entry Age	29.52	29.19	
Average Years of Credited Service	17.05	3.93	
Average Annual Covered Payroll	\$140,077	\$96,932	
Annual Covered Payroll	\$10,225,631	\$9,983,972	49.4%
Present Value of Future Payroll	\$64,114,012	\$149,722,115	70.0%
Transferred Members			
Count	32	24	42.9%
Separated Members			
Count	14	12	46.2%
Retired Members and Beneficiaries Receiving Payments			
Count	261	1	0.4%
Average Annual Benefit	\$55,388	\$3,386	
Total Annual Benefits	\$14,456,302	\$3,386	0.0%
Accrued Liabilities			
Active Members	\$79,254,493	\$12,366,643	13.5%
Transferred Members	12,890,911	1,077,605	7.7%
Separated Members	1,003,912	185,351	15.6%
Retired Members and Beneficiaries	<u>205,415,595</u>	<u>64,192</u>	<u>0.0%</u>
Total	\$298,564,911	\$13,693,791	4.4%

What the City has done...

- **Employees pay their share of “normal cost.”** In prior years, City paid employer and at least some (in some cases all) of employee cost. This was a standard practice among public agencies.
- **Employees pay over \$2,000,000 annually towards employer’s share**



What the City continues to do ...

- **Prepay UAL in July each year**
- **Funding set aside with Creation of Section 115 Pension Stabilization Trust and PERS UAL Fund**
 - \$8.66 million set aside as of June 2025 for future pension costs
 - \$9.87 million in Fund 903 (PERS UAL Fund) as of June 2025
- **Budget Policy D.1.c.**
 - 50% of financial surplus in the General Fund will be allocated to the Pension Stabilization Trust Fund

